

Educational Loan Notes

Monthly Newsletter



[MGA Home](#)

April 2008

MGA SPRING SCHOOL WORKSHOPS

MGA's 2008 Spring School Workshops will be held on Tuesday, May 20 at Grand Rapids Community College's Tassell M-TEC and Wednesday, May 21 at Schoolcraft College's VisTaTech Center in Livonia.

Tentative agenda topics include:

Federal update. Recent legislation made significant changes to the administration of federal student aid. This update reviews the final rules issued in November 2007 and the provisions likely to be addressed during 2007-2008 Negotiated Rulemaking. The session will provide a summary of the College Cost Reduction and Access Act, with emphasis on the various loan provisions of this legislation, as well as an update on the status of the reauthorization of the Higher Education Act of 1965.

Veterans' Education Benefits. This session assists financial aid administrators in understanding the educational benefits available to U.S. veterans. The presentation will include a review of the regulatory and policy requirements that schools must follow when processing financial aid for students who receive veterans' benefits and a summary of the loan repayment benefits available to veterans.

Common Audit Findings. Understanding common audit and program review findings can help your school identify potential problem areas and correct them before an auditor sets foot on your campus. In addition to listing the most common audit findings, the session describes the differences between audits and program reviews and targets several compliance issues involving return of Title IV funds, verification, and loans.

The meeting sites are handicapped accessible, including parking. Individuals with disabilities who need mobility, visual, hearing, and/or other assistance for effective participation should indicate such needs when registering. All such requests should be directed to Jim Swisk at 1-800-642-5626, extension 37121 at least ten days before the workshop. Requests received after that time cannot be guaranteed.

The workshop announcement will be sent electronically in April with a complete agenda and registration form. If you have questions or suggestions for topics to include in future workshops, please feel free to contact Jim Swisk at extension 37121 or via email at swiskj@michigan.gov.

MGA PREPARES CONTINGENCY PLANS FOR LENDER OF LAST RESORT

MGA is updating its policies and procedures in the unlikely event it is called on to act as or designate a lender of last resort to ensure access to education loans under the Federal Family Education Loan Program (FFELP). Federal law requires guarantors to serve or designate lenders of last resort when otherwise eligible borrowers attending eligible postsecondary institutions are unable to find a lender willing to make FFELP loans to them.

On March 26, 2008, the U.S. Department of Education (ED) issued guidance to the nation's student loan guarantors regarding their lender of last resort programs. ED's letter requires

guarantors to submit within 30 days updated policies and procedures for implementing a lender of last resort program.

MGA's lender of last resort plans will address the following issues:

- Identifying lenders willing to make lender of last resort loans.
- Ensuring system changes are in place to prevent the guarantee of loans under the lender of last resort program when conventional FFELP loans are available.
- Outlining the circumstances that would trigger lender of last resort eligibility.
- Describing the process for reviewing and approving requests for lender of last resort loans.

Although the likelihood for the necessity of implementing the lender of last resort program is small, rest assured that MGA will be ready in the event that we are called upon to administer lender of last resort loans.

ED RELEASES "FEDERAL AID FIRST" BROCHURE

The U.S. Department of Education (ED) has released a new brochure explaining the differences between federal and private education loans, the various types of federal student loans offered, and the dollar amounts available. The brochure may be viewed and copied by [clicking here](#). Copies of the brochure may also be ordered online at www.edpubs.ed.gov or by calling 877-4ED-PUBS.

WEB SITE OFFERS INFORMATION ON INCOME-BASED REPAYMENT

The Project on Student Debt and additional members of the higher education community have partnered to create a new online resource for borrowers. IBRinfo.org is a new Web site that provides independent information about Income-based Repayment and Public Service Loan Forgiveness, two new federal programs to help make student loan repayment fair and manageable. The site explains the programs and will be updated as new information becomes available. Users may register to get updates on important developments as the U.S. Department of Education finalizes regulations and creates the systems for managing the new programs.

EFC ANNOUNCES NEW ONLINE FINANCIAL LITERACY RESOURCE FOR STUDENTS, FAMILIES, AND SCHOOLS

The Education Finance Council (EFC) launched a new Financial Literacy homepage www.efc.org/finlit to continue its mission to make college more affordable and help students educate themselves on all the possibilities of higher education. Part of a long-term campaign by EFC members to promote financial literacy education, the site is designed to provide timely and concise information and user-friendly tools to help students and families make informed decisions in managing their finances before, during, and after college.

Visitors to EFC's Financial Literacy homepage will find many informative pages to review and from which to learn, including:

- ***What Is Student Financial Aid?*** – EFC members are committed to helping students get the information and support they need to access and succeed in college. In this section, students can learn about the different types of financial aid – grants, scholarships, work study, and federal and private student loans. A step-by-step guide takes students and their parents through the federal student loan application process, and for those unaware of the terminology, a glossary of federal student aid terms is included. This section also shows how a student's financial aid package is calculated and warns against falling victim to misleading financial aid offers that come through the mail or over the Internet.
- ***Budgeting 101*** – Budgeting is important as it allows you to know exactly how much you can (and can't) afford to spend. This section will assist students in mapping out a budget plan with short-term and long-term goals so they can keep out of debt and control spending.
- ***EFC's Guide to Credit*** – Good credit is the key to the ability to borrow from a bank or any other financial institution. Students will learn how an on-time repayment record on student loans is a good first step to developing positive credit. It is important that students are aware of the importance of their credit score when it comes to applying for a loan. This section offers tips for improving a low credit score and protecting your personal financial information from identity theft.

Throughout the Financial Literacy homepage, students who need assistance are encouraged to contact their school guidance counselor, their financial aid officer, or a nearby nonprofit student loan lender.

FSA HIGHLIGHTS RESOURCES AVAILABLE FOR BLIND AND VISUALLY IMPAIRED STUDENTS

Federal Student Aid (FSA) has a variety of information resources available for blind and visually impaired students enrolling in or currently enrolled in education beyond high school. FSA highlighted *Funding Education Beyond High School* and audio resources that introduce students to critical information to consider as they prepare for education after high school. In addition, the following FSA print publications are available in Braille and can be ordered in bulk at www.FSAPubs.org or individually through the FSAIC toll-free number or from www.edpubs.org: *Free Application for Federal Student Aid (FAFSA)* and *FAFSA on the Web Worksheet*; *Funding Education Beyond High School: The Guide to Federal Student Aid*; and *Braille Bookmark*.

WHAT STUDENTS THINK ABOUT EXTREME REALITY



Conducting the Extreme Reality (ER) program, a debt management activity for middle and high school students, is one of the most gratifying experiences for Outreach Services team members. The students really seem to enjoy the program. Teachers, counselors, and GEAR UP coordinators have expressed their appreciation for the opportunity students are given to learn about budgeting, decision making, making career choices, and lifestyle choices.

After completing an ER session, students are surveyed and asked to write down the most important

lesson they learned from the program, what changes they would recommend for the program, and what they want to be when they grow up. The following comments are from seventh and eighth grade students and range from amazing to thoughtful to hilarious.

WARNING – potential for laughter. Very little editing was done to any response.

1. "Not to have kids ever . . . not to be a fast food manager . . . never give the wife credit cards."
2. "I like the way you guys told us about the real life and children and also bills can be extremely costful and I am very glad that you told us about the every day older life."
3. "Accountants do NOT make a lot of money. If you have three children and a disabled husband its hard to take care of them all." (At one point this student wanted to give up her kids but someone warned her against doing this). "There is a law that I have to abide by called, 'willful neglect'. I don't know about that law."
4. "That I need to go to college and marry someone that makes more money than me."
5. "I learned how it would be if I had kids and how the law takes money out of your check (taxes)."
6. "I loved doing this program but the fact that I was forced into marriage with someone I don't know and that three kids came out of my body was a little awkward." (Honestly, we told her it was a game!)
7. "I want to be a professional basketball player, but if that doesn't work out my backup plan is to be a nurse or runway fashion model."
8. "Have a better job and pay my bills on time so I won't have to live in the streets like crack heads."
9. "First I'm going to join the Air Force to be a fighter pilot. I will become an ace with at least 10 kills to my name. Then I'll become a mercenary pilot." (Uh . . . no comment.)
10. "I learned that every time I ask for things my mom does not have enough money to give. I will go and ask someone else because I do not have to have it when I ask." (Wonder if this student thought about getting a job as an option?)
11. "I learned that true value of money (sense I am very spoiled). It's not easy surviving in the world. Not only does it take hard work, also **Intelligences!**"
12. "Don't have more than three kids unless you're married because if you do all your money will be gone and make sure you get a good job."
13. "I'm not sure what I want to be, but I want to have a job where I could have lots of money. If I would have a whole lot of money I won't waste it only for me. I would waste for my family, food, clothes, and other things. I would waste it for church donations too."
14. "Another lesson I learned was, no matter how right you are, child support can break you down."
15. "If you are married make sure that the husband and wife both have jobs."
16. "Never let your children waste your money." (Are we to believe this student budgets and spends his/her parents' money wisely?)
17. "I want to be a ghost hunter."
18. "I learned that my parents have it hard. I learned that life is hard and not easy. I learned I need to get a job real soon."
19. "The government takes a significant amount of money out of your check. ALSO!! The bills you have to pay all the time (sadly) takes EVEN more out of your check."
20. "Life bites."
21. "How expensive kids are to raise. How much it costs to live day to day. If you have a relative, see if they will watch your kids."



Answers like the following provide indications that some students really connect with the program:

1. "That it takes a lot of responsibility to be an adult and depending on how much money you make every month, you will have to budget."
2. "That life is expensive. It takes a lot of money just to get the things you need. It also helps me to understand what my parents go through each year."
3. "That money doesn't grow on trees! I will try to stop asking for so much and show more thanks for what my parents do get me. That's the important thing."
4. "Cherish what my parents do for me and stay young as long as I can. It costs a lot to live on your own."
5. "Haller aprendi que la para tener familia es seguro que uno tenga travago. Normal – It takes a job to raise a family." (This is true in any language.)

And finally, each program begins with an explanation of the importance of saving money and asking the students for reasons why they would want to have money in the bank. During one ER program a student raised his hand and answered with all sincerity, "So you can have money to bail somebody out of jail." Clearly, every student brings their own experiences to the program.

ED PIPELINE

MGA is providing you with descriptions and links to some of the most recent correspondence for schools and lenders from the U.S. Department of Education (ED).

Dear Partner

March 2008

[ANN-08-02](#)

This letter announces a series of one-day workshops covering implementation of Final Rules published on October 29, 2007, and November 1, 2007, and the College Cost Reduction and Access Act (CCRAA) enacted September 27, 2007. This letter also includes a link to Federal Student Aid's "Training for Financial Aid Professionals" Web page, where you may view the workshop schedule and register for the one that best meets your needs.

Dear Partner

March 2008

[ANN-08-03](#)

This letter announces Federal Student Aid's first TEACH Grant Implementation and Processing Webinar for school financial aid administrators and their staff. This webinar will provide an opportunity to learn more about the operational implementation of the TEACH Grant Program and to prepare for that implementation.

UPDATES TO MGA'S PARTICIPATING LENDER LIST

MGA encourages school personnel to use the electronic version of the "Participating Lender List" which provides access to the most current lender information and eliminates the need for manually updating the paper document that is published once per year. The electronic list is available on our Web site at mgaloan.com. From the MGA Quick List, select the Forms/Documents drop-down menu, and choose [Participating Lender Lists](#).

Schools continuing to use the paper version of the list dated May 4, 2007, should note the following changes on their paper copy.

If you have any questions regarding these updates, please contact Pat Fromm at 1-800-642-5626, extension 36076, or via email at frommp@michigan.gov.

No Longer Participating

The following lenders are no longer participating:

- Bank of Lake Mills/Student Loan Xpress, 823584
- Bank of Lake Mills, 834263
- Collegiate Funding Services, 834091
- Comerica Bank, 805979
- Connecticut Student Loan Foundation, 824246
- EFSI, 833617
- LaSalle Bank Midwest, N.A., 624289
- LaSalle Bank Midwest, N.A., 824289
- LaSalle Bank Midwest, N.A., 830525
- Pecos Student Finance Corp/Brazos Student Lending, 833285
- Pennsylvania Higher Education Assistance Agency, 828924
- School Loans Corporation, 834101
- Student Loan Xpress, 834011
- Student Loan Xpress, Fifth Third Bank as ELT, 833890
- Student Loan Xpress, Fifth Third Bank as ELT, 833908
- Student Loan Xpress, Fifth Third Bank as ELT, 834160
- U.S. Bank, N.A. ATF 1st Student Financial, 833946
- U.S. Bank, N.A. ATF Brazos Educational Assistance, 833228

Referral Program Termination

Comerica Bank, 622660, has terminated their referral lender program. Please delete all referral lenders listed under 622660 as the sponsor.

LaSalle Bank Midwest, N.A., 830525, has terminated their referral lender program. Please delete all referral lenders listed under 830525 as the sponsor.

Sallie Mae Education Trust, 802218, has terminated their referral lender program. Please delete all referral lenders listed under 802218 as the sponsor.

UPDATES TO MGA'S ACTIVE MICHIGAN SCHOOL LIST

Information has been received from schools regarding recent changes that should be recorded by lenders on MGA's "Active Michigan School List" dated January 30, 2008. If you have any questions regarding these updates, please contact Stacy Cardwell at 1-800-642-5626, extension 36074, or via email at cardwells@michigan.gov.

Contact Information Update

Olivet College, Olivet, 002308-00

Change Libby Jean's title to Financial Aid Director.

Everest Institute, Southfield, 009828-00

For assistance contact Wendy McDaniel, Financial Aid Supervisor. Wendy's telephone number is 248-799-9933, fax number is 248-799-2912, and email address is wendym@cci.edu.

"Q" & "A"

Graduate/Professional & PLUS Eligibility

If a graduate student wishes to take out a PLUS loan for an undergraduate student along with a Graduate PLUS loan, can the same master promissory note be used for both?

If a graduate or professional student PLUS borrower is also a parent who is borrowing a PLUS loan for one or more dependent students, the borrower must sign one PLUS MPN to borrow for himself/herself and a separate PLUS MPN to borrow for each dependent student. As with parent PLUS borrowers, a student PLUS borrower may choose to sign a new Grad PLUS MPN for each new PLUS loan even if that would not otherwise be required. A school or lender may also require a new PLUS MPN for each new PLUS loan.

What are the graduate/professional PLUS loan terms and how do they differ from the parent PLUS loan?

The terms and conditions applicable to parent PLUS loans also apply to graduate/professional PLUS loans. These requirements include a determination that the applicant does not have an adverse credit history. In order to establish eligibility to apply for graduate/professional PLUS loans, students must also complete a Free Application for Federal Student Aid (FAFSA) and apply for the annual loan maximum eligibility under the Federal Subsidized and Unsubsidized Stafford Loan Programs. Note that a graduate or professional student is not required to receive Federal Stafford loan funds as a condition for receiving a graduate/professional PLUS loan, and a school may not require a graduate or professional student to receive Federal Stafford loan funds before the student may apply for a graduate/professional PLUS loan.

Is there a specific requirement on how much a parent or graduate/professional student may borrow? What type of information is required by the school?

A parent or graduate/professional student may borrow up to the student's cost of attendance minus other estimated financial assistance for the loan period. It is especially important that the parent or student borrower specify the amount that he or she wants to borrow. Each school and lender must establish and document the process by which one of the parties will collect the requested loan amount from PLUS loan borrowers. A PLUS loan may not be made for more than the amount the borrower requests.

A school must collect this information before certifying the PLUS loan and may use various means such as the PLUS Certification form, a borrower response section on the financial aid award letter, a separate PLUS form, documented telephone or electronic requests, or other means. If the school participates in the FFEL Program, the school may also make arrangements with FFEL lenders for them to collect this information from PLUS borrowers before approving the loan.

Regarding the PLUS Certification form, ED has developed a paper Federal PLUS Loan Information and School Certification (PLUS Certification form) to be used by FFEL schools that do not complete loan certification electronically. This form was approved as part of the PLUS MPN documents package and is printed and distributed by lenders and guaranty agencies.

Whether the school or the lender collects the information, the school must establish and document how the PLUS borrower's loan amount request will be collected. The school or lender also must maintain a record of any requests by the borrower in writing, by phone, or electronically for any adjustment to the loan amount. For parent PLUS applicants, before certifying the loan, the school must determine the Title IV eligibility of the dependent student on whose behalf the parent is borrowing. Because a parent may not borrow on behalf of a student who is ineligible for Title IV aid, the school must not certify the application for a parent PLUS loan until obtaining the dependent student's complete financial aid history. Also, when certifying a parent PLUS loan, the school must certify the dependent student's enrollment status and anticipated completion or graduation date. Each school must confirm the student's dependency status when determining whether a parent is eligible to borrow under the PLUS loan program or the dependent student is eligible for additional unsubsidized Stafford loan limits.

If a school participates in the FFEL Program and is eligible to use the multi-year PLUS MPN, the borrower's PLUS loan request for subsequent years is sufficient documentation to make additional loans – there is no separate confirmation process for PLUS loans – but the PLUS borrower's PLUS loan amount request must be secured for each loan made using an MPN. Direct Loan schools using the PLUS loan MPN as a multi-year note are required to have an active confirmation process.

What determines adverse credit history?

To borrow a PLUS loan, the applicant must not have an adverse credit history. Adverse credit is defined in the regulations as the applicant being 90 days or more delinquent on a debt or having been subject in the last five years to a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment, or write-off of an FSA debt. The absence of any credit history is not considered adverse credit. FFEL lenders may establish more restrictive credit standards for determining adverse credit.

When determining whether a PLUS borrower is ineligible for a PLUS loan based on an adverse credit history, the lender, or ED for Direct Loans, must obtain a credit report on the parent from at least one national credit bureau. To provide a more accurate determination of adverse credit, the report must be obtained within a timeframe reasonably related to the loan period. If the PLUS borrower requests additional funds for an existing loan period (resulting in a loan amount adjustment, not a new loan), the lender is not required to obtain a new credit report, but may elect to do so.

If a PLUS borrower has an adverse credit history, the applicant has the option of receiving a PLUS loan using an endorser who does not have an adverse credit history. If an endorser will be used, a separate Endorser Addendum is required for each PLUS loan. Any loan that requires an endorser must be made under a new PLUS MPN, with a new Endorser Addendum, because the endorser is liable only for the specific loan or loans he or she has agreed to endorse. The Endorser Addendum includes the requested loan amount. Any increase in the requested loan amount by the parent borrower must be approved by the endorser and requires a new MPN and Endorser Addendum.

CALENDAR OF UPCOMING EVENTS

May 2008

- | | |
|----|---|
| 14 | ED Spring Training
Lansing Community College
Lansing, Michigan |
| 20 | MGA Spring School Workshop
Grand Rapids Community College
M-TEC
Grand Rapids, Michigan |
| 21 | MGA Spring School Workshop
Schoolcraft College
VisTaTech Center
Livonia, Michigan |
| 26 | MGA Offices Closed |

June 2008

- | | |
|--------|--|
| 29-7/2 | MSFAA Summer Training
Crystal Mountain
Thompsonville, Michigan |
|--------|--|
-